

---

## **BUDGET MONITORING REPORT 2013/14**

To: **Cabinet – 14 November 2013**

Main Portfolio Area: **Financial Services**

By: **Sarah Martin, Financial Services Manager**

Classification: **Unrestricted**

Ward: **All**

---

**Summary:** **To inform Cabinet of the latest budget monitoring position against the General Fund, Housing Revenue Account and capital programme for 2013/14.**

### **For Decision**

---

#### **1.0 Introduction**

1.1 This report enables Cabinet to take an informed view of the likely financial impact of the current restriction on non-essential spending on the projected out-turn for the General Fund, as well as the likely outturn on the Housing Revenue Account and capital programme for 2013/14. The report summarises the main issues, with the detail being provided in the annexes.

#### **2.0 Summary Outturn Position for the General Fund 2013/14**

2.1 Previous budget monitoring reports have shown a break even position for 2013/14. When monitoring is undertaken very early on in the financial year it is very difficult to predict with any real degree of certainty the year end position and therefore a balanced budget position had been assumed. However, now that it is half way through the financial year a more thorough budget monitoring exercise has been undertaken. Based on this monitoring to the end of September 2013, the projected outturn is an overspend of £481.5k.

2.2 When the budget was set in February 2013, it was still expected that Transeuropa would continue in business. The budgetary impact for 2013/14 as a result of them ceasing business is a shortfall of £836k. This is after terminating contracts at the Port wherever possible and cutting back on the running costs at both the Port and Harbour. Managers have been working diligently during the year to identify savings within their budget areas to offset this shortfall. However, there is still a further £481.5k to find in order to deliver a balanced budget for 2013/14 and therefore every effort will continue to be made to find further efficiencies. This will include continuing with the controls over non-essential spending and restricting recruitment to where it is absolutely necessary.

2.3 The following table summarises the variances that have been identified as part of the budget monitoring exercise with the detail provided in the paragraphs that follow:

<b>Directorate</b>	<b>Variance £'000s</b>
Chief Executive	-3.9
Operational Services	1,141.8
Community Services	-6.9
Corporate Services	-330.2
Savings across Directorates	-319.3
<b>Total</b>	<b>481.5</b>

### **Chief Executive**

2.4 Minor underspends have been identified in respect of the fuel costs for the official car and conference fees totalling £3.9k.

### **Operational Services**

2.5 A number of minor savings have been identified across the directorate, including savings against sand levelling and water safety. These savings total £13k. However, a number of budget pressures have also been identified in this directorate:

- Following the cessation of Transeuropa's business, there is a budget shortfall of £836k. However, the previous budget monitoring report identified savings totalling £170.7k which reduce this shortfall to £665.3k.
- As a result of the Transeuropa shortfall, a detailed exercise has been undertaken to review all the maritime budgets to identify where savings can be made to offset the Transeuropa position. This exercise has also identified that the income budget target for the maritime service is underachieving by £400k. This is due to the income from permanent berths being down; London Array being in the maintenance phase of the windfarm project – income will pick back up once they move back into the construction phase; and the income target for the introduction of the loyalty scheme not yet being met. Every effort is being made to find savings in this area to compensate for this income shortfall, but if sufficient compensating savings can not be found, then an equivalent sum will be drawn down from the Maritime Reserve to offset this shortfall.
- Car parking income is down by £79.8k. This is due to a reduction in the number of people parking at Staffordshire Street due to free parking at Leopold Multi-Storey on Saturdays (£50k); no income coming in for the Bungalow coach park as the site is not secure (£2k); a shortfall against Cavendish Street car park of £12k; a shortfall against Mill Lane of £11k due to free Saturday parking and a shortfall against various car parks of £5k.

- There is also a shortfall against the roundabout sponsorship income budget of £9.7k.

### **Community Services**

- 2.6 A number of minor savings against the whole directorate have been identified totalling £10.9k. An annual contribution of £25k is currently being budgeted from planning to the Local Plan Reserve. The balance on this reserve is £392k and this is considered to be sufficient for the purposes of the Local Plan moving forward. Consequently, this contribution is not required. The budget for a grant in respect of the Housing Care and Repair agency in the sum of £34.7k is also no longer required as this is now being funded by Kent County Council.
- 2.7 Building control income is currently underachieving against the budget but it is expected that this will be offset by an increase in planning fees.
- 2.8 A regeneration grant to Melltree Properties is to be written off in the sum of £63.7k. This is subject to a separate report on this agenda.

### **Corporate Services**

- 2.9 The following underspends/additional income totalling £330.2k have been found in this directorate:
- Additional income from licensing totalling £7.4k is anticipated;
  - Electoral registration costs of £60k will now be met from grant funding;
  - Savings have been identified in respect of Members' allowances of £14.5k;
  - Miscellaneous savings have been identified in Environmental Services of £4.9k;
  - Savings have been identified in the Print Unit of £5.2k;
  - Miscellaneous savings have been found within Financial Services of £2.7k;
  - Savings have been identified against corporate subscriptions of £6.7k;
  - Savings are anticipated against Corporate Marketing of £10.6k;
  - Summonses income for Council Tax and NNDR is expected to exceed the budget by £39.9k;
  - A number of contingency budgets were set up when EK Services was established. These budgets are no longer required, resulting in a saving of £98.3k;
  - Further savings against corporate contingency budgets of £50k are expected;
  - Savings have been offered up against ICT budgets of £30k.

### **Other Underspends across Directorates**

- 2.10 An exercise has been undertaken to look at salary monitoring across the organisation. Based on the trend to date, it is anticipated that the vacancy savings target will be over-achieved by £200k.

2.11 Savings have been identified across the various business rate accounts totalling £67.6k.

2.12 Savings have been identified across all the Council's utility bills totalling £51.7k.

### **Business Rates Retention Scheme**

2.13 The business rates retention scheme was introduced from 1 April 2013. The purpose of the new scheme is to provide an incentive to councils to grow their local economy by allowing them to retain a proportion of the business rates collected. Authorities whose business rates grow above the baseline set by the government are allowed to retain a proportion of this growth, subject to a levy mechanism. However, where rates decline, authorities have to bear a loss in business rates yield, subject to the operation of a safety net.

2.14 Although business rates income is being monitored, there is considerable uncertainty around the potential income that the Council may receive. This is mainly due to those businesses who have appealed against their business rate levels as such appeals can take a long time to be settled and it is difficult to know whether the outcome of such appeals will detrimentally affect the business rates income due to the authority or not. Consequently, it is very difficult to predict what the year end position is likely to be for the Council. Based on the most recent monitoring, it is thought that the Council will be showing a loss against its business rates baseline. The Council will have to face the first £330k of any such loss before the safety net kicks in.

2.15 Currently, the new Council Tax Reduction Scheme is being delivered with a savings against the budget of £240k. This saving has not been reflected within the monitoring table presented within this report as it is being set aside in case it is required to offset the potential loss in business rates income. If there is a loss in business rates income, the balance of £90k will be drawn down from the Customer Services Reserve.

## **3.0 Housing Revenue Account**

3.1 The Housing Revenue Account is currently projecting a variance of £1.079m. This is a reduction of £834k from that reported in September. The Capital expenditure slippage for the Margate Intervention and Ramsgate Intervention from 2012/13 to 2013/14 to be funded from a revenue contribution has reduced down from £1.9m to £1.2m due to the re-allocation of HCA funding as detailed in Annex 2. Increased income is projected against rents for council housing of £42k, with a further £12k on aerial income and £15k contributions to expenditure made up of an £11k insurance settlement and £4k from rechargeable repairs. There is a slight projected shortfall on service charges of £4k. Repairs is projecting a £48k saving. This is due to a £108k underspend against the painting and decorating contract as works are delayed whilst the contract is being re-tendered in a joint procurement exercise with Dover District Council, and an overspend of £60k against re-let works. General savings of £20k have been identified against Supervision and Management costs.

## **4.0 Capital Programme**

4.1 A report on the General Fund and HRA capital programme is detailed in Annex 2. Capital receipts show a shortfall of £463k against a budget of £542k within the General Fund. Receipts achieved to date are detailed below:-

<b>General Fund Property Receipts</b>	<b>Amount</b>
Lease of land and buildings at Unit 1 Tivoli Road Estate, Tivoli Brooks, Margate	£68k
TDC Share of sale of 23 & 24 Ozengell Place, Eurokent	£11k
<b>Total Capital Receipts</b>	<b>£79k</b>

In order to achieve a balanced General Fund capital programme the remaining £463k must be achieved in this financial year.

The HRA sales achieved are as follows:

<b>HRA Land Sales</b>	<b>Amount</b>
Land Adjacent to Ramsgate Boxing Club	£25k

4.2 Members are asked to agree the budget virements detailed as per Annex 3 for the General Fund capital fund programme and budget virements detailed as per Annex 4 for the HRA capital fund programme.

#### 4.3 **Corporate Implications**

#### 4.4 **Financial**

4.4.1 The financial implications have been reflected within the body of the report.

#### 4.5 **Legal**

4.5.1 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, it is the Chief Executive (S151 Officer), Sue McGonigal, and this report is helping to carry out that function.

#### 4.6 **Corporate**

4.6.1 Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.

#### 4.7 **Equity and Equalities**

4.7.1 There are no equity or equalities issues arising from this report.

## 5.0 Recommendations

- 5.1 That Cabinet notes the projected outturn position for 2013/14 for the General Fund;
- 5.2 That Cabinet notes the current Housing Revenue Account position;
- 5.3 That Cabinet approves the variations to the General Fund Capital Programme identified in Annex 3;
- 5.4 That Cabinet approves the budget variations to the HRA Capital Programme identified in Annex 4.

## 6.0 Decision Making Process

- 6.1 The budget is approved by Council in February each year. Cabinet is responsible for monitoring performance against the budget during the year and for approving any budget variations over £50k.

### Annex List

Annex 1	Housing Revenue Account Summary
Annex 2	General Fund & HRA Capital monitoring Summary
Annex 3	General Fund Capital Programme
Annex 4	HRA Capital Programme

### Background Papers

none

### Corporate Consultation Undertaken

Finance	Sarah Martin – Financial Services Manager
Legal	n/a

---

### Contact Officers:

Matthew Sanham (GF), Tel. (01843) 577227

Nicola Walker (HRA and Capital), Tel. (01843) 577236